

**Proposed (Unified) Budget**

The following table summarizes the executive proposed table by agency and funding source.

Proposed Unified Budget	Base FY 2008	Adjusted FY 2009	Exec. Budget FY 2010	Exec. Budget FY 2011	Biennium FY 08-09	Biennium FY 10-11	Biennium \$ Change	Biennium % Change
Full Time Equivalent (FTE)	452.66	452.66	463.41	463.41	452.66	463.41	10.75	2.4%
3501 Office Of Public Instruction	783,028,298	838,195,249	834,274,195	856,075,384	1,621,223,547	1,690,349,579	69,126,032	4.3%
5101 Board Of Public Education	376,056	409,875	411,759	413,889	785,931	825,648	39,717	5.1%
5102 Commissioner Of Higher Education	229,346,474	286,882,779	267,001,429	272,990,153	516,229,253	539,991,582	23,762,329	4.6%
5113 School For The Deaf & Blind	5,810,616	6,341,056	6,508,492	6,477,587	12,151,672	12,986,079	834,407	6.9%
5114 Montana Arts Council	1,249,830	1,297,160	1,334,659	1,283,748	2,546,990	2,618,407	71,417	2.8%
5115 Montana State Library	4,358,497	5,137,842	5,289,382	4,652,690	9,496,339	9,942,072	445,733	4.7%
5117 Montana Historical Society	4,168,165	4,596,057	4,603,395	4,570,600	8,764,222	9,173,995	409,773	4.7%
<b>Total Proposed Budget by Agency</b>	<b>\$1,028,337,936</b>	<b>\$1,142,860,018</b>	<b>\$1,119,423,311</b>	<b>\$1,146,464,051</b>	<b>\$2,171,197,954</b>	<b>\$2,265,887,362</b>	<b>\$94,689,408</b>	<b>4.4%</b>
01000 General Fund	823,924,198	864,195,002	885,605,993	906,024,444	1,688,119,200	1,791,630,437	103,511,237	6.1%
02000 State/other Special Rev. Funds	21,033,801	20,046,993	22,005,283	22,511,471	41,080,794	44,516,754	3,435,960	8.4%
03000 Federal Spec. Rev. Funds	182,485,000	257,399,188	210,729,600	216,862,708	439,884,188	427,592,308	(12,291,880)	-2.8%
06000 Proprietary Funds	894,937	1,218,835	1,082,435	1,065,428	2,113,772	2,147,863	34,091	1.6%
<b>Total Proposed Funding</b>	<b>\$1,028,337,936</b>	<b>\$1,142,860,018</b>	<b>\$1,119,423,311</b>	<b>\$1,146,464,051</b>	<b>\$2,171,197,954</b>	<b>\$2,265,887,362</b>	<b>\$94,689,408</b>	<b>4.4%</b>

**Agency Description**

The fourteen-member Board of Education (BOE), under authority of Article X, Section 9 of the Montana Constitution, is composed of the Board of Regents of Higher Education (BOR) and the Board of Public Education (BOPE). It is responsible for long-range planning, and for coordinating and evaluating policies and programs for the state's educational systems. The Board of Education is constitutionally required to submit a unified budget request for the state's education system.

**Agency Discussion**

By statute, the Board of Education is to review and unify the budget requests of the following educational entities:

- Commissioner of Higher Education
- Board of Public Education
- Office of Public Instruction
- Montana School for the Deaf and Blind
- Montana Library Commission
- Montana Arts Council
- Montana Historical Society

The unified budget request is then submitted to the Office of Budget and Program Planning by the state agencies for inclusion in the Governor's executive budget.

The drafters of the constitution included the unified budget submittal so that the funding allocations to the various components of the educational system were "threshed out together, so that when the legislature was asked for an amount, there would have been some agreement reached between all phases of education." A unified budget request allows the BOE to determine the total amount of the biennial budget request for the educational system and the amount of the total which they would recommend allocating to each portion of the budget. BOE can prioritize the long range policies for the educational system within the budget. In periods of scarce resources, a unified budget request allows the BOE to determine which programs will be reduced, increased, or postponed until additional resources are available. It also allows BOE to review the various programs and requests for additional funding in the education system as a whole and further its related policies by reflecting them in the budgets requested by the agencies.

The BOE did not provide a unified budget proposal request to the 2011 legislature. The proposed (unified) budget shows the state agencies budgets which would have been included in the unified budget had BOE submitted one to the executive.

**LFD  
ISSUE**

The Board of Education (BOE) did not review or submit a 2011 biennial unified budget request.

As stated above, statute requires the Board of Education to submit a unified budget request for Montana's educational system to the executive for inclusion in the executive's proposed budget. According to the Office of Budget and Program Planning budget timelines, the due date for state agencies to submit their budgets under current law and their new budget proposals was September 1, 2008. The submission of the unified budget proposals to the BOE would have needed to occur prior to the September 1 due date to comply with the statutory requirements to submit the unified request to the agencies for their submission. The LFD lists a number of options for legislative consideration following the narrative discussion on the unified budget.

As shown above, compiled by agency the Governor's proposal for the agencies that are to be part of the unified budget request in the 2011 biennium is \$2.3 billion. The request is \$94.7 million higher than the 2009 biennium appropriation for continued funding. (It should be noted that one-time only funding is eliminated in the comparison between the two biennia for all agencies included in the budget.) The general fund supports approximately 79.1 percent of the state's portion of the cost of the education system in the 2011 biennium. For discussion on the state and federal revenues included in the unified budget see the funding sections of each related state agency. The main drivers of the increases are as follows:

- The \$69.1 million increase for OPI primarily reflects present law adjustments of 3 percent per year to the basic and per-ANB entitlements as well as a number of smaller increases for various programs
- The \$23.8 million increase for the Commissioner of Higher Education is primarily due to present law adjustments at the educational units and public service/research agencies. These adjustments include annualization of the 2009 biennium pay plan, inflation, and fixed cost increases. The increase also includes permanent funding for Public Broadcasting Service Satellite delivery and BOR staff for strategic planning, information resources, communications, and collaboration with statewide agencies

#### *Cost of Montana's education system*

As discussed above, the unified budget includes the state's share of the costs of the education system in Montana. Other resources, which are not appropriated by the legislature, are provided to support the system through property taxes, college tuition payments, grants and contracts, sales and service revenues, revenue bonds, and donations.

Figure 1 presents the total funding from all sources of Montana's education system in FY 2007.

As can be seen in Figure 1, the state appropriated funds represented are 41.4 percent of the total funding of Montana's education system in FY 2007.

#### *What is in place to complete the unified budget?*

In past biennia, the Board of Education has attempted to develop a unified budget. BOE formed a Budget Committee which met to discuss the unified budget. In one period a number of MetNet conferences were completed on the unified budget process which involved getting the two boards and the other related agencies together. In this framework, according to one of the BPE members, the focus was on need and not just dollars. The most recent process BOE used was to discuss the various agency budgets as proposed and approved by their related boards, to approve the budgets as proposed, and then staple them together as the unified budget.

Education Entity	Total Funds	State Appropriated Funds	State Appropriation as % of Total Funds, By Entity
Public Schools	\$1,319,979,600	\$794,174,139	60.2%
Higher Education <sup>1</sup>	1,117,908,571	208,679,413	18.7%
Board of Public Ed	360,340	360,340	100.0%
Montana School for the Deaf & Blind	4,746,733	4,746,733	100.0%
Montana Arts Council	1,203,384	1,203,384	100.0%
Montana Historical Society	3,641,275	3,641,275	100.0%
Montana State Library	3,083,276	3,083,276	100.0%
Grand Total	<u>\$2,450,923,179</u>	<u>\$1,015,888,560</u>	<u>41.4%</u>

<sup>1</sup>FY 2007 Budgeted

During the September 9, 2004 BOE meeting, members discussed the intent of the Constitution as it related to the unified budget. Various members stated that they did not feel the BOE was following its constitutional mandate in connection with the unified budget. The BOE members unanimously approved a motion to charge the Budget Committee to review and make recommendations as to the process for presenting the unified budget in the future and suggested revisions to the definition of unified budget requests for presentation to the BOE at the next meeting.

The BOE requested assistance from the Governor's Office during its July 14, 2005 meeting to better define what a unified budget is and determine how to develop a unified budget. The goal as articulated in the minutes was that in advance of the next legislative session the BOE would have made strides in presenting a more unified budget.

The next action by the BOE occurred on July 13, 2006 when the BOE adopted a resolution to establish a Kindergarten to College Workgroup and dissolve the four committees: P-20, Indian Education for All, Unified Budget and Policy.

#### Kindergarten to College Workgroup (workgroup)

The workgroup is composed of 9 voting members:

- A representative of the Board of Regents
- A representative of the Board of Public Education
- The Superintendent of Public Instruction or designee
- The Commissioner of Higher Education or designee
- The Executive Secretary to the Board of Public Education
- A Student Assistance Foundation representative
- A Montana School for the Deaf and Blind representative
- The Governor or designee
- A public at-large member (student)
- A public at-large member (parent)

Areas of potential legislative policy interest included in the strategic plan of the Kindergarten to College Workgroup include school readiness; students ready for college and work; a technology framework between and among the various state agencies in the Montana education system including distance learning; closing tuition and salary gaps through college access, affordability, and transferability of credits within MUS; and Indian Education for All. The workgroup priority targets for FY 2008 include:

- Dual enrollment/distance learning
- Data coordination with and among K-12 and MUS
- K-12 campaign for college preparation

As the Board of Education did not develop a unified budget for the 2011 biennium, a clear link between the areas studied by the workgroup and their relationship to what the Board of Education is seeking to achieve through the state funding that is appropriated for education has not yet been developed.

#### *Barriers to development of a unified budget*

One of the barriers to the development of a unified budget identified by LFD is a lack of formalized process for the unified budget. As discussed above, the Board of Education dissolved its Budget Committee and did not discuss the unified budget prior to the submission of the Governor's executive budget to the legislature on November 15.

In addition, even when the Board of Education worked with a committee charged with the purpose, it appears the legislature did not consider a unified budget for the education system. At this time, LFD is unaware of any discussion of the unified budget between the Joint Appropriations Subcommittee on Education (appropriations committee) and the Board of Education. It should be noted that the state agencies included in the unified budget present their section of the budget to the appropriations committee. However, the board charged with providing for the long range planning and coordination and evaluation of the policies and program's of the state's educational systems do not participate in the legislative discussion on the educational policies articulated through the \$2.2 billion unified budget.

Another barrier is that the legislature and the BOE have not developed a clear understanding of what should be included in a “unified budget” It would appear the legislature has not previously considered the entire education system when appropriating to the various components included by statute in a unified budget request.

Finally, while the BOE is recognized in both the constitution and statutes as a state agency, it has 1.00 FTE assigned to work on the issues BOE may raise. The 2005 Legislature provided for a Board of Education staff person to provide direction, coordination, and follow-through by assisting the Governor, who serves as the chairman of the Board of Education. A determination of the workload and additional areas which may require additional support would need to be completed prior to recommendations on the need for additional funding, staff, or operational costs.

*Postsecondary Education Policy and Budget Subcommittee’s development of Shared Policy Goals for the Montana University System could be used as a model for the unified budget*

While the process for development of a unified budget has not progressed, the development of a process between the legislature and the Board of Regents for shared policy goals has been developing over the last ten years. The legislatively appointed Postsecondary Education Policy and Budget Subcommittee (PEPB) of the Education and Local Government Interim Committee (ELGIC) is comprised of legislators, Board of Regents, the Commissioner of Higher Education, and the Governors’ education policy advisor. For the 2007 interim, the PEPB reviewed and considered the initial budget request submitted by the Board of Regents for the Montana University System (MUS) for the 2009 biennium. The purpose of the review was to give PEPB the opportunity to submit funding recommendations to the Governor at the outset of the executive planning process and to consider accountability and performance measures related to specific budget initiatives.

In the 2009 interim the PEPB updated the shared policy goals and corresponding performance measures that clearly define what the legislature is seeking to achieve through the state funding that is appropriated to the university system. The shared policy goals and accountability measures help to provide a policy framework for the state appropriation of funding.

The ELGIC formed a separate subcommittee on the public education system in the 2009 interim. The K-12 subcommittee was comprised of members of the legislature, Board of Public Education, the Superintendent of Public Instruction, and the Governors’ education policy advisor. At the conclusion of the interim the ELGIC recommended a bill to separate the Education and Local Government responsibilities into two separate committees. For the 2011 interim, the ELGIC proposes the K-12 subcommittee develop shared policy goals and corresponding performance measures that clearly defined what the legislature is seeking to achieve through the state funding that is appropriated to the public education system (K-12).

In addition, the proposed Education Interim Committee would work on issues related to the state’s comprehensive educational system (P-20) and develop shared policy and accountability measures to define what the legislature is seeking in relation to efficiencies and effectiveness for the system as a whole.

ELGIC has identified several areas to begin the legislative conversation in relation to P-20 including:

- Reducing the remediation rates for Montana high school student entering MUS
- Coordination of distance learning efforts throughout the state’s education system
- Coordination of dual credit processes whereby high school students obtain college and high school credits simultaneously

One example of a potential shared policy goal for the P-20 system could include every child ready for college or work at high school graduation. One accountability measurement for this goal could be decreases in the remediation rates for Montana high school students entering MUS. State funding for remediation is appropriated through the state’s education system. Reduction in the remediation rate could result in appropriations for remediation redirected to other legislative priorities for the state’s education system as the attainment of this measurement occurs.

**Option:**

The Joint Appropriations Subcommittee on Education could meet with the Board of Education as part of the legislative deliberations on Montana's education system. Items for discussion could include:

- (Unified) budget as proposed by the Governor including:
  - Distance education and dual credits and their relationship to the long range plans of the BOE, including the proposal to implement a virtual high school
  - Reducing remediation rates among Montana high school students entering MUS
- Challenges for the educational system in the 2011 biennium
- Long range challenges and BOE policies and programs to address them
- Recommendations on shared policy goals for consideration of the proposed Education Interim Committee and related subcommittees
- Recommendations for a cohesive educational system

*Other legislative considerations on the unified budget*

Statute also requires the Board of Education to include in the unified budget those agencies assigned by law to the Board of Regents, the Board of Public Education, or the Board of Education. Current statute requires the inclusion in the unified budget of the:

- Montana School for the Deaf and Blind (MSDB)
- Montana Arts Council (MAC)
- Montana Library Commission (MSL)
- Montana Historical Society (MHS)

While the MSDB is statutorily under the direction and control of the Board of Public Education, MAC, MSL, and MHS are allocated to the Board of Education for purposes of planning and coordination. Budget requests for these agencies are included in the unified budget. However, the governance, management, and control of the agencies is vested with their respective boards of trustees. How to incorporate the planning and coordination of these allocated boards is another question for consideration of both the legislature and the proposed Education Interim Committee. Legislative policy questions addressing the relationship of the allocated boards to Montana education systems and the articulation of these policies through policy goals and accountability measurements could be addressed.